



## CITY OF ATLANTA

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MAYOR

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Dear Stakeholder:

In 2002, Bain and Company developed a Turnaround Plan for reinventing Atlanta's government. At the time, the consultants at Bain found the City was suffering from:

- A budget shortfall of \$82 million, or 19% of the General Fund
- An annual growth rate in expenditures of 8.1%
- Spending of 2-4% per capita higher than peer cities
- A workforce that is 21-37% per capita higher than peer cities

In response to these findings, Bain developed a blueprint with 29 recommendations designed to return the City to fiscal health by improving local government operations. The 29 recommendations were grouped into four strategic areas of focus: **Financial Stability, Public Safety, Strong Infrastructure, and Efficiency and Effectiveness.**

In the years since the recommendations were submitted, we have implemented over 95% of the Turnaround Plan's recommendations. Which include:

- A comprehensive re-organization of the Atlanta Police Department
- Process reviews and re-engineering in human resources, information technology, procurement and customer service
- Initiation of major infrastructure projects in streets and sidewalks, water/sewer, parks and greenspace, and information technology
- New budgeting and in-year financial management processes

You may be interested in knowing that we have made significant gains in improving the efficiency of the City since we have been here. Overall, the City is operating anywhere from 15% to 25% (depending on how you want to measure it) more efficiently today than when we arrived.

Here are the highlights:

### City Services

- The City of Atlanta is spending 15 percent less per resident on City services than we did in 2001. The City also has 25 percent fewer employees per capita – 847 per 100,000 residents compared to 1,132 per 100,000 residents in 2001. We have vaulted from the second least efficient peer city, according to Bain Consulting, to one of the most efficient.

- Most important: The City has not forsaken service to citizens to achieve its efficiency gains. On the contrary, service levels have increased:
  - The City has 320 more police officers (an increase of more than 20%) on the street today than in 2001. We reduced the bureaucratic workforce and increased the public safety workforce.
  - The City maintains more than 730 additional acres of greenspace than it did in 2001, and cuts the grass more often.
  - The City processes 30% more building permits than it did in 2001
  - The City houses over 30% more inmates on a daily basis

### **Cost Saving Measures**

- Among the cost savings initiatives that we have completed:
  - Based on third-party recommendations, the City has consolidated its courts system, saving over \$20 million annually and reducing the number of employees providing court-related services from 480 to 145 (while eliminating the positions of 12 elected officials.) I don't know that there is another City or County in the state that has actually reduced the number of elected officials.
  - Through new technologies such as Oracle financial systems and KRONOS timekeeping software, the City has reduced its support department personnel by 15%. It has also streamlined the building permitting process, reducing processing time by nearly 50% despite an increase in volume of 30%.
  - Through route restructuring and cost management, the City's general fund no longer subsidizes residential garbage collection and disposal, which has saved over \$10 million annually.

### **Facts About Privatization**

- On the issue of privatization, there is misinformation out there that somehow the City of Atlanta is uninterested in privatization. The facts are quite different:
  - We have privatized several services since we have been here, including worker's compensation management, inmate food services, inmate medical services, building security, street vending management, and parking enforcement (which we are about to complete). We are always looking for opportunities to outsource.
  - We asked CH2MHill in 2003 to advise us on whether we should privatize residential garbage collection. After an in-depth study they advised against it and instead provided us with a operations improvement plan, which we have since implemented.
  - We asked UPS in 2003 to review and advise us on whether we should privatize fleet management services. They advised against it and instead provided a roadmap for improving the efficiency of our service delivery. We implemented their plan. Last summer we asked another fleet management consulting firm to review the progress we have made and asked again whether we should privatize it. This firm concluded that we were operating at a best practices cost and service delivery level and advised against privatization.
- It is important to not get too caught up in the claims that some people make about the gains from privatization. In my experience, privatization makes sense only when certain conditions apply:
  - There exists a robust private market for the service you intend to outsource (this was the failing of the water system outsourcing, when all we did was move a natural monopoly from public to private hands).
  - The public agency has a structural cost issue. This often comes in the form of union contracts. In our case, we have no collective bargaining, so we don't have the labor cost issues that you see in the northeast and midwest. CH2MHill says our labor costs are actually lower than private providers.

- The public agency can't operate at scale. This is where we differ from some of the smaller cities that have gone the privatized route. Dunwoody, Milton, Johns Creek, and in some areas even Sandy Springs are not large enough to gain the efficiencies from scale. But when you are operating a city the size of Atlanta, private operators will not bring to the table the economic advantage of scale because we are already operating at close to the peak of the scale curves.
- Take a quick look at the math on this. For any outsourcing opportunity to be attractive from the City's perspective, we have to be convinced that a private operator can provide the same level of service for about 30% less than what it costs the City (15% to cover the returns the private operator needs to achieve, and other 15% to make it worthwhile to the City). That is quite a hurdle. None of the consultants we have hired to look at these opportunities has identified savings opportunities at that level.

We are committed to improving the efficiency of the City, which is an on-going exercise and one that requires constant re-evaluation and I will continue to look at any good ideas that come my way.

All the Best in the New Year!

Sincerely  
  
Shirley Franklin